PETFORM OIL & GAS BULLETIN

03.07.2009

Dogan Holding taps into Northern Iraq resources

Date : 30.06.2009
Source: Hürriyet Daily News
http://arama.hurriyet.com.tr/arsivnews.aspx?id=11968135

Dogan Enerji acquires 50 percent of the shares of two companies formed to tap into Iraqi oil. The companies will search and develop oil in the Arbil and Khalakan regions.

Growing Turkish interest in Iraq's energy resources has spurred another takeover, as Dogan Holding announced it has invested in two project companies formed to find and extract oil in the country. According to a Dogan filing with the Istanbul Stock Exchange yesterday, Dogan Enerji, the energy arm of the group, acquired 50 percent of the shares of two different companies formed to locate and extract oil in northern Iraq's Arbil and Khalakan regions.

The filing came a day before the Iraqi government received offers from the world's top oil companies to develop oil and natural gas fields. Companies including Exxon Mobil and Royal Dutch Shell are looking for the rights to develop six oil fields and two gas deposits in the country. "*Other shareholders at the project companies are institutional investors from Switzerland and the United Arab Emirates,*" Anatolia news agency quoted the Dogan Holding statement as saying.

The partnership licenses for Dogan Enerji last for two decades. The field in the Arbil area is projected to start pump oil next year, while a test-drill will be set up at the Khanakan field next year. Dogan Enerji will invest $80 million in the two fields over the next two years.

Dogan shares spiked yesterday, rising 11.6 percent to 1.06 Turkish Liras. "*This is a solid development in the energy business,*" Bloomberg quoted Onder Zorba, an analyst at Ata Invest, as saying. "*The project has the potential to provide vertical integration and it's parallel to Dogan's growth strategy.*"

Fuel distributors outraged as price caps come into effect

Date : 29.06.2009
Source: Today's Zaman (Ercan Baysal)
http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=179368

The Energy Market Regulatory Authority's (EPDK) recently announced price ceilings came into force on Sunday amid controversy, forcing fuel distributors to reduce gasoline and diesel prices.

Starting yesterday, the price of a liter of 95-octane fuel was down to an upper limit of TL 3.05, from current price levels of over TL 3.2. The price of diesel for consumer use fell 7 Kr per liter to TL 2.49, and diesel for agricultural consumption dropped to TL 2.35. EPDK officials called on motorists to be careful about the prices, saying, *"Check the price grids before you get your gas tanks filled."* Although it is mandatory for fuel stations to follow the EPDK ruling, some stations may drag their feet in changing prices in time, the officials warned.

The EPDK stepped in to intervene in the fuel market and regulate prices in favor of consumer interests after issuing several notifications to fuel distribution companies to avoid excessively high profit margins. The EPDK frequently prodded companies in the sector to obey the rules of pure competition instead of acting like a cartel, setting prices very close to each other. It warned several times that it would not hesitate to introduce sanctions against companies if they didn't heed its admonitions. Despite the obligatory price decreases, Turkey still tops Europe in fuel prices.

Meanwhile, Akpet delivered a message to all of its gas stations throughout Turkey warning them to abide by the price ceilings from June 28 onwards. Other companies are also sending notifications to their offices to be careful about the EPDK ruling, since any failure to adopt it may result in high fines for these companies.

With the new prices, the cost to fill a 55-liter gas tank, for a car using 95-octane fuel, will be over TL 10 less than the previous cost: the tank formerly would have cost TL 178.2 to fill, but with the new rates, the total cost has dropped to TL 167.7.

The EPDK's upper limits will be updated every two months, and if oil prices fall in international markets, the pump prices of fuel will also decline on a pro rata basis. The contrary will also be true: if oil prices rise, gas prices will rise in step with the percentage increase. The maximum prices will be calculated and set by the EPDK every Monday, Wednesday and Friday, to be effective the following days. The EPDK will announce these prices on its Web site regularly. No fuel distribution companies will be allowed to sell gasoline at a higher rate than the EPDK limits.

Although price ceilings, by their very nature, deter competition in the market and force prices to equalize at the highest limit, a number of experts in the fuel business still claim that price variations of between 2 and 10 Kr are likely to be seen. Therefore, consumers should continue to watch prices instead of arbitrarily stopping at the first station they encounter, experts suggest. A bureaucrat in the Energy Minister told that motorists usually care about the brand of gas, which he finds difficult to understand. All products these companies sell are processed in the same refinery and have almost the same properties and quality, he said.

TL 2 from every liter of gas goes to Treasury

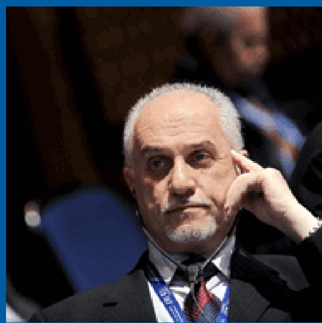
The main cause behind Turkey's high fuel prices is extremely high fuel taxes. The sum of the taxes on a liter of 95-octane gas is TL 1.95, which is almost 70 percent of the total price. For a liter of diesel, on the other hand, the taxes add up to TL 1.38. The state is widely criticized for not rethinking its tremendously heavy application of the private consumption tax (OTV) and the value-added tax (VAT) on fuel consumption and for using gas stations like tax offices.

No more giveaways

An official from the EPDK says the sector is now forced to regulate itself in accordance with the new conditions, by initially taking steps to cut costs such as giving up distributing giveaways of handkerchiefs or tea glasses for customers who pay a certain lira amount for gas. The same official said that there will be a drop in the number of gas stations, as some will be eliminated since it will be harder to remain open with lower profit margins. In addition to these, the practice of transferring the ownership of gas stations for extremely high prices will be history, he noted. Currently, there are 50 fuel distributing companies in Turkey with nearly 15,000 gas stations.

The fuel distributors are furious with the EPDK's enforcement of price ceilings. The energy market authority initially asked them to bring down fuel prices by June 20, issuing a legal notification in early June which stated that the EPDK would jump in the market and use its right to determine upper limits. In reaction, fuel companies raised fuel prices out of spite and made small reductions a few days before the EPDK's deadline expired.

The Turkish Fuel Station, Oil and Gas Company Employers' Union (TABGIS) released a statement on Friday declaring the EPDK's policy 'wrong,' accusing it of using its legal rights 'delinquently.' TABGIS said companies will have to sell their products at a loss and will probably not endure this situation long, warning that there may be mass closures of gas stations in the days ahead. The Petroleum Industry Association (PETDER) also released a statement yesterday claiming that the price ceiling edict virtually killed the free market in the fuel business.



Iraqi Oil Ministry to move up second license bid round

Date : 02.07.2009
Source: Rigzone (Dow Jones Newswires)
http://www.rigzone.com/news/article.asp?hpf=1&a_id=77862

Emboldened by what Iraqi oil officials are calling a successful first oil-licensing round this week, the oil ministry has moved up a second auction that was to be held at the end of this year for 11 oil and natural-gas fields.

Ministry spokesman Assem Jihad said Thursday that a new date for the second bid round hasn't been set, but it would be held as early as within the next few months. It had originally been scheduled for the end of this year. Unlike the first round this week, the oil fields on offer for the second round haven't yet been developed, or are only partially developed.

Most major oil companies balked at the ministry's terms for six oil fields and two gas fields that were part of a historic licensing round on Tuesday. The auction marked the first opening of Iraq's oil sector to Western oil firms in more than 30 years. The oil ministry often set a $2 per-barrel payout fee for any new production the oil companies were able to squeeze out of the fields. All but one consortium decided that the fee was too small to bid. A BP-led consortium that included China National Petroleum Co. was the only group that didn't walk away. It cut its proposed payout by half, however, to $2 a barrel from its original bid of $3.99 a barrel for the Rumaila field in southern Iraq, one of the world's largest fields.

Although oil companies complained about the ministry's aggressive pricing, the Iraqi government hailed the bid round as a success because it managed to get one successful bidder to cut its price so drastically. The BP-led consortium says it will raise production at Rumaila to 2.85 million barrels a day from the current 950,000 barrels a day. "*We wanted this work to be done at the lowest cost to Iraq, and we got that with the Rumaila field,*" Jihad said.

In Iraq, nationalistic sensitivities have haunted previous attempts at opening fields to foreign firms. While the bidding round only attracted one successful bidder, the tough terms could play well politically here. The ministry, in particular Oil Minister Hussain al-Shahristani, came out of the bidding round appearing tough and unwilling to give much ground to foreign firms. The oil ministry said that two gas fields that were part of the first bid round won't be reoffered. Instead, they will be developed by a new national oil company the ministry intends to set up.

Incremental Petroleum sinks Edirne probe

Date : 02.07.2009
Source: Upstream Online
http://www.upstreamonline.com/live/article182298.ece

Incremental Petroleum has spudded the Kuzey Ikihoyuk-1 well at the Edirne licence in Turkey. The well is exploring a different structure to the previous wells and will test Sogucak, Osmancik and Lower Danismen structures, said Otto Energy.

Total depth of the well will be about 450 metres. Incremental operates the Edirne project on western Turkey's Thrace basin with a 55% stake on behalf of Otto (35%) and local partner Petraco (10%).

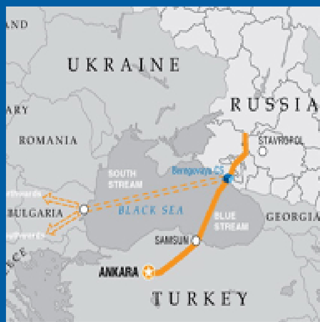
Russia and Azerbaijan agree new gas deal

Date : 29.06.2009
Source: Forbes (AP)
http://www.forbes.com/feeds/ap/2009/06/29/ap6598117.html

Russia’s president on Monday clinched a major new natural gas deal with Azerbaijan, striking a blow to European efforts to reduce energy reliance on Russia.

Russian President Dmitry Medvedev traveled to the capital of Azerbaijan, Baku, along with the chief of Russia’s state-run natural gas monopoly, Gazprom, to oversee the deal’s signing. Gazprom CEO Alexei Miller and Rovnag Abdullayev, head of State Oil and Gas Company of Azerbaijan, signed an agreement for Russia to buy 500 million cubic meters of gas annually starting next year.

Medvedev and his Azerbaijani counterpart Ilham Aliyev in televised comments hailed the agreement as an important step in bilateral relations. Some Western observers suspect the deal is part of a Russian effort to corner regional energy supply, but President Medvedev said that Russia’s deal with Azerbaijan has no political motives. Miller announced last week that the company would sign an agreement on buying natural gas from the country's largest gas field, Shah Deniz.



Russia offers Turkey a role in South Stream gas pipeline

Date : 02.07.2009
Source: Hürriyet Daily News (Reuters)
http://arama.hurriyet.com.tr/arsivnews.aspx?id=11987608

Deputy Prime Minister Igor Sechin, Russia's top energy official, told Turkish Energy Minister Taner Yildiz that Turkey is welcome to participate in the South Stream project.

"We hope that the Turkish side will look at our offer and that we will cooperate further so that our offer is more attractive and clear to our partners," Sechin told reporters in Moscow after the meeting with Yildiz, the news agencies reported. He did not give details of what specific role Turkey could play in the planned South Stream pipeline, which in its current form does not cross Turkish territory.

Yildiz said Turkey would review all the offers on the table, but added that Nabucco and South Stream were not rivals in Turkey's understanding. *"Not one of the projects are being looked at as competitors. Each one has its own course of development,"* he said, Interfax reported. Sechin did not mince words, however, about the Russian offer's goal of damaging Nabucco's chances of success. Asked about the benefits of Russia's offer over Nabucco, Sechin said: *"The clear economic accounting, the coordination of all the factors, and the efficiency should clearly show which project is the best,"* Itar-Tass news agency reported.

IFC supports Izgaz growth

Date : 02.07.2009
Source: Hürriyet Daily News (AA)
http://arama.hurriyet.com.tr/arsivnews.aspx?id=11984054

The International Finance Corporation (IFC), the private-sector financing arm of the World Bank Group, announced Wednesday that it will provide 50 million Turkish Liras to Izgaz, a gas distribution company in Kocaeli operated by GDFSuez.

The money will be used to improve Izgaz by enlarging its natural gas distribution web and by aiding in short-term debt restructuring. Meanwhile, the European Bank for Reconstruction and Development provided loans worth 60 million euros to Izgaz. *"These loans are proof of the confidence these finance corporations have in Izgaz,"* said Imad Erdogan, general manager of the firm.

Yildiz: Shah Deniz and Nabucco are compatible

Date : 02.07.2009
Source: Today's Zaman
http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=179655

Energy and Natural Resources Minister Taner Yildiz has said the Shah Deniz and Nabucco pipeline projects are not alternatives to each other and that moving forward with one doesn't necessarily require giving up the other.

Addressing a group of reporters yesterday in Istanbul before departing for Russia, the minister said he would meet with Russian Energy Minister Sergei Ivanovich Shmatko to discuss ways to increase cooperation on mutual energy issues. *"As a follow-up to the meeting between Prime Minister Recep Tayyip Erdogan and Russian Prime Minister Vladimir Putin in Sochi last month, I am now conducting this visit as the co-chairman of the Joint Economic Committee with Russia. In addition to energy, I will also have meetings on trade and industry,"* the minister noted.

The minister also underlined that the Blue Stream 2 pipeline project will be one of the primary issues to be dealt with during the talks. *"In this project, which was recently re-designed, we will discuss revising the contract to cover the most recent developments pertaining to the western line,"* the minister noted, but didn't provide further details. In addition, Yildiz said, preliminary discussions regarding the purchase of a total of 6 bcm of natural gas from Russia in 2010 and 2011 will be another important item on the agenda during his talks with Shmatko.

Yildiz also touched on the energy dimension of relations between Russia and the European Union. The minister said Russia and the European Union must expand cooperation between them to strengthen energy supply security. *"Similarly, our initiative regarding the Nabucco project is a different issue and must be seen as normal,"* Yildiz emphasized. He recalled that Turkey bid jointly with Russian gas monopoly Gazprom on oil and gas licensing tenders in Iraq, which were held on Tuesday and which ended with failure for the Turkish Petroleum Corporation (TPAO). Yildiz opined, that Turkey may establish cooperation on many energy-related issues.

He was asked to share his views on the recent natural gas sale deal between Azerbaijan and Russia. Yildiz said this agreement envisaged the sale of 500 million cubic meter of Azeri gas to Russia starting from 2010 and that it had nothing to do with the reserves that will be sent through the projected Shah Deniz.

Russia signals it will stay out of OPEC

Date : 28.06.2009
Source: Today's Zaman (Reuters)
http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=179265

Russia sees itself as an observer and not a member of the Organization of the Petroleum Exporting Countries (OPEC), President Dmitry Medvedev told the organization's current president.

OPEC has repeatedly invited Russia to participate at its meetings in the hope that it would join or work with the group. *"In regards to our interaction with OPEC our positions are clear. Angola is a member of OPEC, while Russia participates in OPEC as an observer,"* Medvedev said at a news conference alongside Angolan President Jose Eduardo dos Santos, whose country holds the rotating OPEC presidency.

Medvedev said the current ways in which oil prices were determined were too 'complex and lacked transparency,' adding that the oil market should not depend on one economy -- a reference to the United States. *"There is still much to do. We are not happy with the current situation. I will put it simply: the oil market should not depend on the situation of just one economy."*

Russia has repeatedly called for the world to become less reliant on the US dollar. The unit, in which oil prices are denominated, has a considerable effect on the price of crude. Relations between Russia and OPEC went cold earlier this year when Russia did not follow through on indications it might reduce output in sympathy with OPEC's planned cuts.

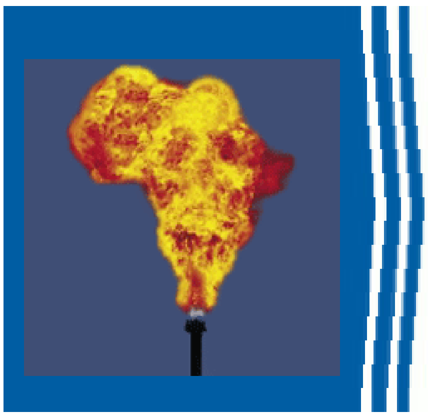
Hellenic Petroleum buys Greek fuel assets from BP

Date : 01.07.2009
Source: Oil & Gas Journal (Uchenna Izundu)
http://www.ogj.com/index/article-display/4414015424/s-articles/s-oil-gas-journal/s-processing/s-articles/s-hellenic-petroleum.html

Hellenic Petroleum agreed to pay $500 million for BP's ground fuels marketing business in Greece to build up its marketing presence. The deal excludes lubricants, aviation fuels, and the solar business.

The agreement, subject to approval of authorities, includes BP's nationwide network of 1,200 branded retail outlets and storage facilities of 170,000 cu m capacity, as well as commercial and industrial supply business. Hellenic will take on 240 employees from BP and the remaining personnel will continue to support BP's other activities in Greece.

"The agreement provides for a transitional period regarding the management of the network and branding," Hellenic said. BP said the transaction is part of rationalizing its portfolio. The sale is scheduled to be wrapped up by yearend, provided regulatory approvals are granted.



Algeria launches new licensing round

Date : 01.07.2009
Source: Oil & Gas Journal (Uchenna Izundu)
http://www.ogj.com/index/article-display/7053381198/s-articles/s-oil-gas-journal/s-exploration-development/s-articles/s-algeria-launches_new.html

After failing to generate interest in its December offering, Algeria launched a licensing round for 25 blocks it said have 'high-potential petroleum resources'.

Energy and Mines Minister Chakib Khelil said Algeria would work with companies that have technology to handle unconventional gas, rather than those who want to swap reserves in other countries. Khelil said, *"It will be for companies with tight sands technology, so there will be some prequalification done in that area."*

Potential operators have selected blocks being offered, said Khelil. They are to submit bids by Dec. 20 and contracts would be signed Jan. 16. The blocks are in basins where previous discoveries were made by Repsol-YPF SA and StatoilHydro. Algeria will make a technical presentation July 27 and will open data rooms for each project from Aug. 15 to Oct. 22.

Foreign oil companies didn't show much interest under Algeria's last bidding round for 11 licenses, complaining poor acreage was offered and of the impact of the financial crisis. E.ON Ruhrgas, BG Group, Eni and Gazprom filed successful applications for the December licensing round.

Qatar and Poland sign 20-year LNG contract

Date : 30.06.2009
Source: Oil & Gas Journal (Eric Watkins)
http://www.ogj.com/index/article-display/4638655808/s-articles/s-oil-gas-journal/s-transportation/s-lng0/s-markets/s-articles/s-qatar_-poland_sign.html

Qatar Liquefied Gas Co. (Qatargas) has signed a 20-year agreement to sell Poland 1 million tonnes/year of LNG. Poland's Treasury Ministry said value of the contract is about $550 million/year.

Poland will receive the LNG at a terminal under construction at Swinoujscie, scheduled for completion in 2015. Qatargas expects its LNG production to rise to 42 million tonnes/year by the end of the decade from 10 million tonnes/year in 2008.

PETFORM ANNOUNCEMENTS & REPORTS

❖ IEA Medium-Term Oil Market Report 2009

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=413

❖ IEA Natural Gas Market Review 2009

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=344